Essentials of

Services Marketing

3rd Edition

7 Promoting Services AND EDUCATING CUSTOMERS

WIRTZ LOVELOCK

Learning Objectives

7.1 Know the 5 Ws of the Integrated Service Communications Model; i.e., Who, What, How, Where, and When.

7.2 Be familiar with the three broad target audiences (i.e., “Who”) for any service communications program.

7.3 Understand the most common strategic and tactical service communications objectives (“What”).

7.4 Be familiar with the Services Marketing Communications Funnel and the key objectives in that funnel.

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Learning Objectives

7.5 Know a few important roles that service marketing communications can assume.

7.6 Understand the challenges of service communications and know how they can be overcome (“How”).

7.7 Be familiar with the Services Marketing Communications Mix (“Where”).

7.8 Know the role of the internet, mobile phones, apps, QR codes, and other electronic media in service marketing communications.

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Learning Objectives

7.9 Understand the role, benefits, and costs of using intermediaries in distributing services.

7.10 Know the communications mix elements available via service delivery channels.

7.11 Know the communications mix elements that originate from outside the firm.

7.12 Understand when communications should take place ("When"), how budgets for service communications programs may be

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Learning Objectives

7.13 Appreciate ethical and consumer-privacy-related issues in service marketing communications.

7.14 Understand the role of corporate design in communications.

7.15 Know the importance of Integrated Marketing Communications to deliver a strong brand identity.

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7.1

Know the 5 Ws of the Integrated Service Communications Model.

Know the 5 Ws of the Integrated Service Communications Model

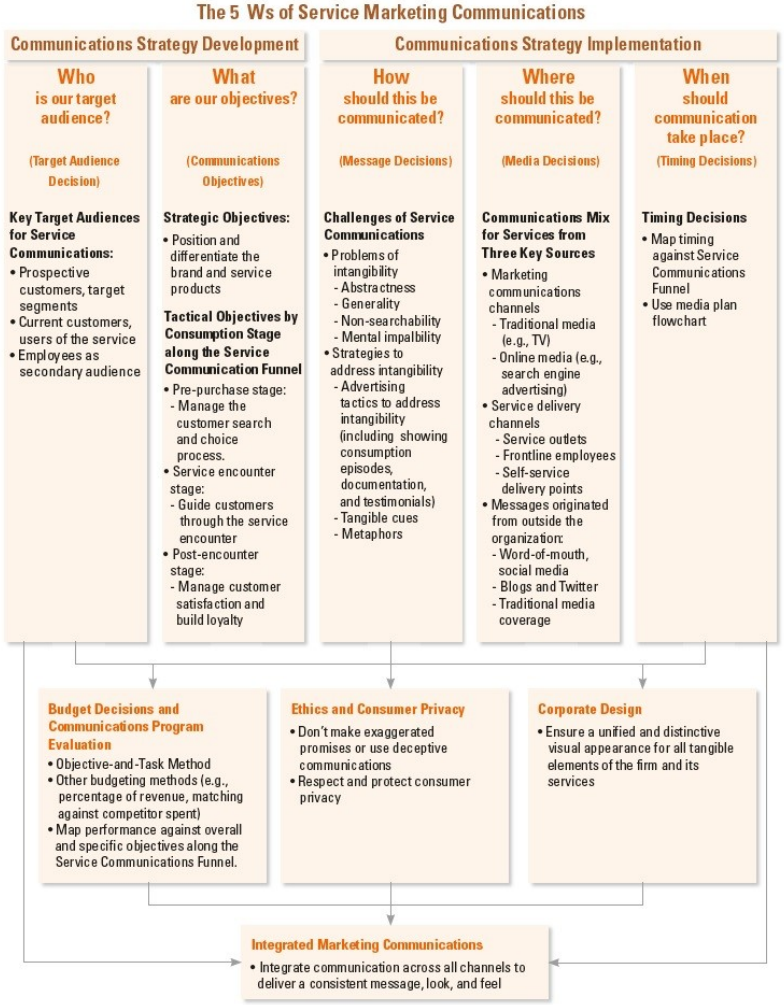
The 5 Ws of Service Marketing Communications
Communications Strategy Development
Communications Strategy Implementation
Who is our target audience?
(Target Audience Decision)
What are our objectives?
(Communications Objectives)
How should this be communicated?
(Message Decisions)
Where should this be communicated?
(Media Decisions)
When should communication take place?
(Timing Decisions)
Key Target Audiences for Service Communications:
• Prospective customers, target segments
• Current customers, users of the service
• Employees as secondary audience
Strategic Objectives:
• Position and differentiate the brand and service products
Tactical Objectives by Consumption Stage along the Service Communication Funnel
• Pre-purchase stage:
- Manage the customer search and choice process.
• Service encounter stage:
- Guide customers through the service encounter
• Post-encounter stage:
- Manage customer satisfaction and build loyalty
Challenges of Service Communications
• Problems of intangibility
- Abstractness
- Generality
- Non-searchability
- Mental impalbility
• Strategies to address intangibility
- Advertising tactics to address intangibility (including showing consumption episodes, documentation, and testimonials)
- Tangible cues
- Metaphors
Communications Mix for Services from Three Key Sources
• Marketing communications channels
- Traditional media (e.g., TV)
- Online media (e.g., search engine advertising)
• Service delivery channels
- Service outlets
- Frontline employees
- Self-service delivery points
• Messages originated from outside the organization:
- Word-of-mouth, social media
- Blogs and Twitter
- Traditional media coverage
Timing Decisions
• Map timing against Service Communications Funnel
• Use media plan flowchart
Budget Decisions and Communications Program Evaluation
• Objective-and-Task Method
• Other budgeting methods (e.g., percentage of revenue, matching against competitor spent)
• Map performance against overall and specific objectives along the Service Communications Funnel.
Ethics and Consumer Privacy
• Don't make exaggerated promises or use deceptive communications
• Respect and protect consumer privacy
Corporate Design
• Ensure a unified and distinctive visual appearance for all tangible elements of the firm and its services
Integrated Marketing Communications
• Integrate communication across all channels to deliver a consistent message, look, and feel

Figure 7.2 Integrated Service Communications Model.

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7.2

Be familiar with the three broad target audiences (i.e., “Who”) for any service communications program.

Be familiar with the three broad target audiences

- Prospects:
  - Employ traditional communica
    mix because prospects are not
    known in advance
- Users:
  - More cost effective channels
- Employees:
  - building a service brand and positioning it and its service products against competition.
  - persuading target customers that their service product offers a better solution for customer needs.
  - attracting new users and maintaining contact with existing customers.

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7.3 Understand the most common strategic and tactical service communications objectives (“What”).

Strategic and tactical service communications objectives

- Strategic objectives:
  - Building a service brand and positioning it and its service products against competition
  - Persuading target customers that their service product offers a better solution for customer needs
  - Attracting new users and maintaining contact with existing customers

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7.4

Be familiar with the Services Marketing Communications Funnel and the key objectives in that funnel.

The Services Marketing Communications Funnel

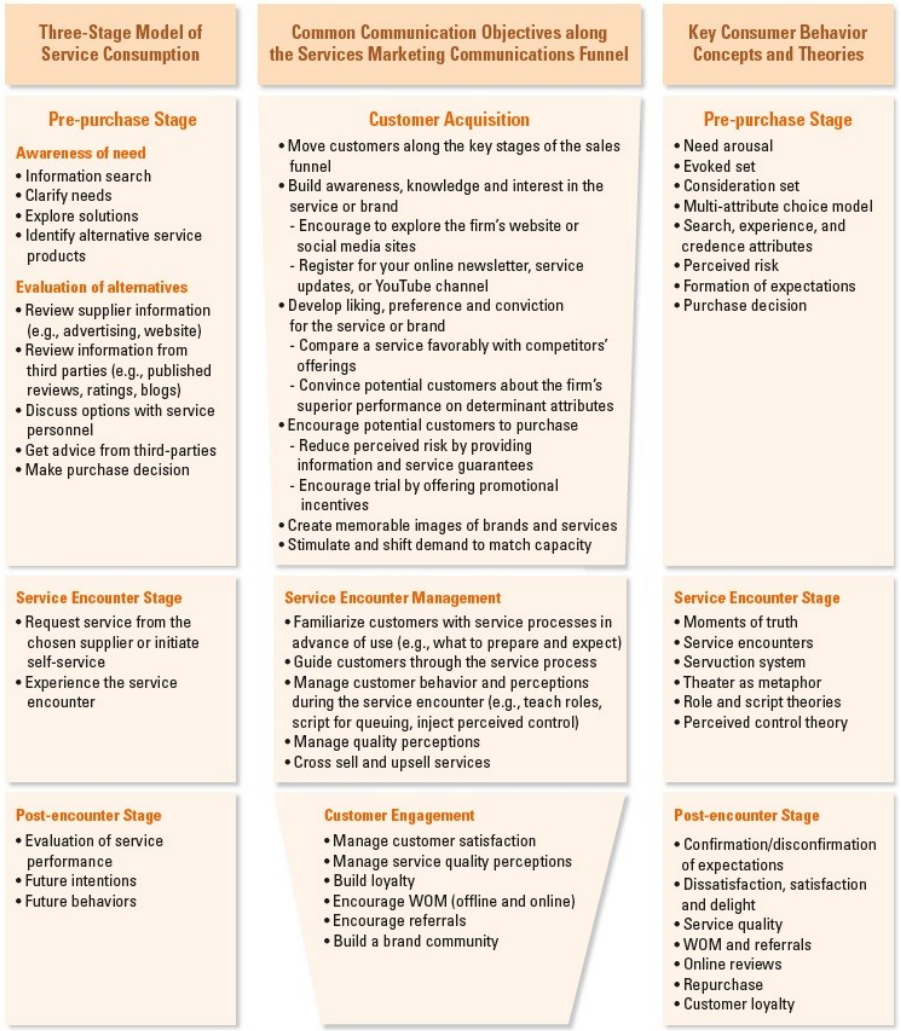
Three-Stage Model of Service Consumption
Common Communication Objectives along the Services Marketing Communications Funnel
Key Consumer Behavior Concepts and Theories
Pre-purchase Stage
Awareness of need
• Information search
• Clarify needs
• Explore solutions
• Identify alternative service products
Evaluation of alternatives
• Review supplier information (e.g., advertising, website)
• Review information from third parties (e.g., published reviews, ratings, blogs)
• Discuss options with service personnel
• Get advice from third-parties
• Make purchase decision
Customer Acquisition
• Move customers along the key stages of the sales funnel
• Build awareness, knowledge and interest in the service or brand
- Encourage to explore the firm's website or social media sites
- Register for your online newsletter, service updates, or YouTube channel
• Develop liking, preference and conviction for the service or brand
- Compare a service favorably with competitors' offerings
- Convince potential customers about the firm's superior performance on determinant attributes
• Encourage potential customers to purchase
- Reduce perceived risk by providing information and service guarantees
- Encourage trial by offering promotional incentives
• Create memorable images of brands and services
• Stimulate and shift demand to match capacity
Pre-purchase Stage
• Need arousal
• Evoked set
• Consideration set
• Multi-attribute choice model
• Search, experience, and credence attributes
• Perceived risk
• Formation of expectations
• Purchase decision
Service Encounter Stage
• Request service from the chosen supplier or initiate self-service
• Experience the service encounter
Service Encounter Management
• Familiarize customers with service processes in advance of use (e.g., what to prepare and expect)
• Guide customers through the service process
• Manage customer behavior and perceptions during the service encounter (e.g., teach roles, script for queuing, inject perceived control)
• Manage quality perceptions
• Cross sell and upsell services
Service Encounter Stage
• Moments of truth
• Service encounters
• Servuction system
• Theater as metaphor
• Role and script theories
• Perceived control theory
Post-encounter Stage
• Evaluation of service performance
• Future intentions
• Future behaviors
Customer Engagement
• Manage customer satisfaction
• Manage service quality perceptions
• Build loyalty
• Encourage WOM (offline and online)
• Encourage referrals
• Build a brand community
Post-encounter Stage
• Confirmation/disconfirmation of expectations
• Dissatisfaction, satisfaction and delight
• Service quality
• WOM and referrals
• Online reviews
• Repurchase
• Customer loyalty

Figure 7.3 Common communications objectives along the Service Marketing Communications Funnel.

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7.5

Know a few important roles that service marketing communications can assume.

Important roles that service marketing communications can assume

- Promote tangible cues to communicate quality
- Add value through communication content
- Facilitate customer involvement in service production
- Promot ce personnel and ba

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7.6

Understand the challenges of service communications and know how they can be overcome (“How”)

The challenges of service communications

Overcoming Problems of Intangibility

- May be difficult to communicate service benefits to customers, especially when intangible
- Intangibility creates 4 problems:
  - Generality: Items that comprise a class of objects, persons, or events
  - Non-searchability: Cannot be searched or inspected before purchase
  - Abstractness: No one-to-one correspondence with physical objects
  - Mental impalpability: Customers find it hard to grasp benefits of complex, multidimensional new offerings

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The challenges of service communications

To overcome intangibility

- Use tangible cues in advertising
- Use metaphors to communicate benefits of service offe

Table 7.1 Advertising strategies for overcoming intangibility

Intangibility Problem	Advertising Strategy	Description
Abstractness	Service consumption episode	Capture and show typical customers benefiting from the service, e.g. by smiling in satisfaction at a staff going out of his way to help.
Generality		
• For objective claim	System documentation	Document facts and statistics about the service delivery system. For example, in the UPS website, they state that they have 216 aircraft in operation.
• For subjective claim	Performance documentation	Document and cite past service performance statistics, such as the number of packages that have been delivered on time.
	Service performance episode	Present actual service delivery being performed by the service personnel. The video mode is best for showing this.
Nonsearchability	Consumption documentation	Obtain and present testimonials from customers who have experienced the service.
	Reputation documentation	If the service is high in credence attributes, then document the awards received or the qualifications of the service provider.
Mental impalpability	Service process episode	Present a clear step-by-step documentation of what exactly will happen during the service experience.
	Case history episode	Present an actual case history of what the firm did for a specific client and how it solved the client's problem.
	Service consumption episode	A story or depiction of a customer's experience with a service

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7.7

Be familiar with the Services Marketing Communications Mix (“Where”).

The Services Marketing Communications Mix

Figure 7.11 The Services Marketing Communications Mix.

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The Services Marketing Communications Mix

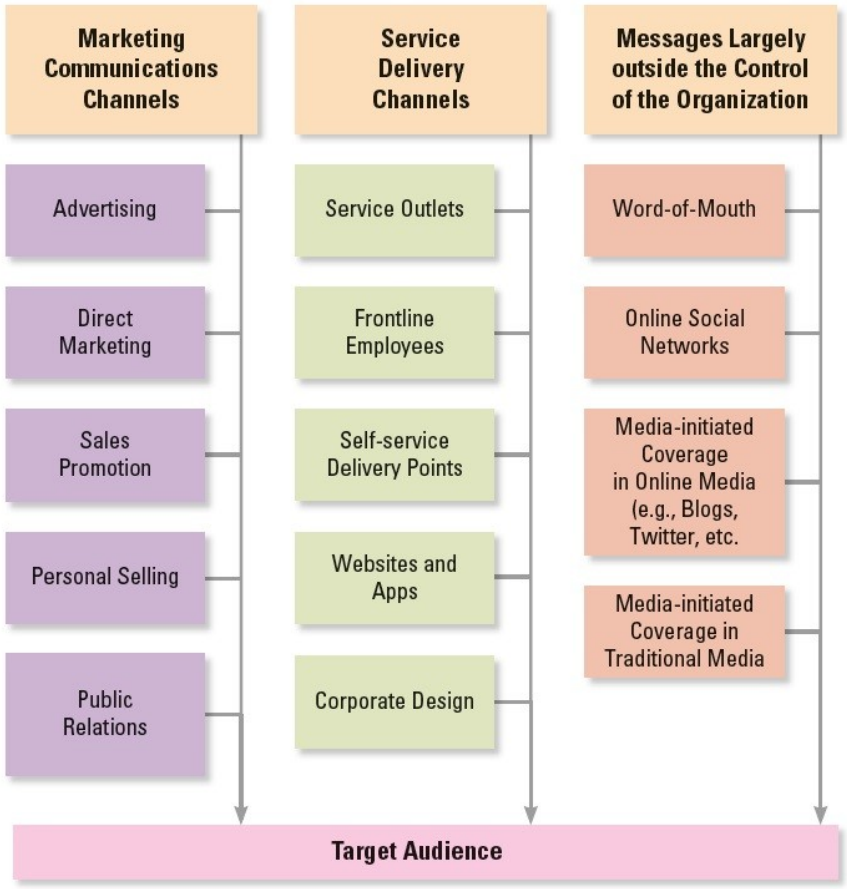

Figure 7.12 Three key sources of messages received by the target audience.

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7.8

Know the communications mix elements of the traditional marketing communication channels.

Traditional Marketing Channels

Advertising

- Build awareness, inform, persuade, and remind
- Challenge: How stand out from the crowd?
- Effectiveness remains controversial
- Research suggests that less than half of all ads generate a positive return on their investment

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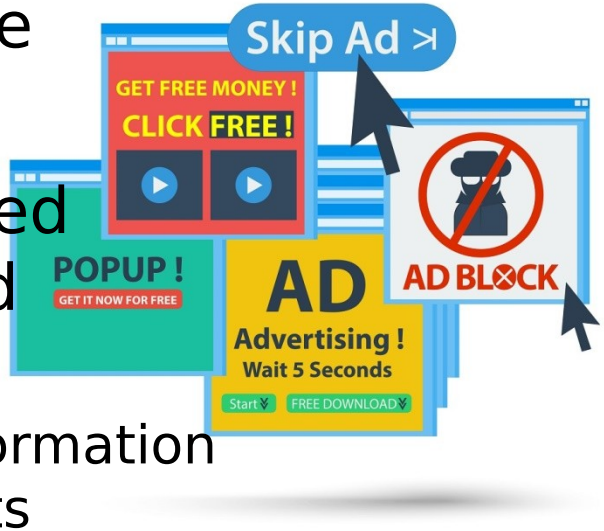
Traditional Marketing Channels

Direct Marketing

- Mailings, recorded telephone messages, faxes, email
- Potential to send personalized messages to highly targeted microsegments
  - Need detailed database of information about customers and prospects



- Advance in on-demand technologies empower consumers to decide how and when they prefer to be reached, and by whom
  - e.g., email spam filters, pop-up blockers, podcasting

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Traditional Marketing Channels

Direct Marketing

- Permission Marketing goal is to persuade customers to volunteer their attention
  - Enables firms to build strong relationships with customers
  - e.g., People invited to register at a firm's website and specify what type of information they like to receive via email

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Traditional Marketing Channels

Sales Promotion

- Defined as "Communication tha comes with an incentive"
- Should be specific to a time per price, or customer group
- Motivates customers to use a specific service sooner, in great volume with each purchase, or more frequently
- Interesting sales promotions can generate attention and put firm in favorable light (especially if interesting results publicized)
  - SAS International Hotels: If a hotel had vacant rooms, guests over 65 years old could get a discount equivalent to their years. When a guest announced his age as 102 and asked to be paid 2% of the room rate in return for staying the night, he received it— and got a game of

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Traditional Marketing Channels

Personal Selling

- Interpersonal encounters educate customers and promote preferences for particular brand or product
- Common in b2b and infrequently purchased services
- Many b2b firms have dedica
  do personal selling
  - Customer assigned to a desig
    account manager
- For services that are bought
  often, firm's representative acts
  as consultant to help buyers
  make selection
- Face-to-face selling of new products is

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Traditional Marketing Channels

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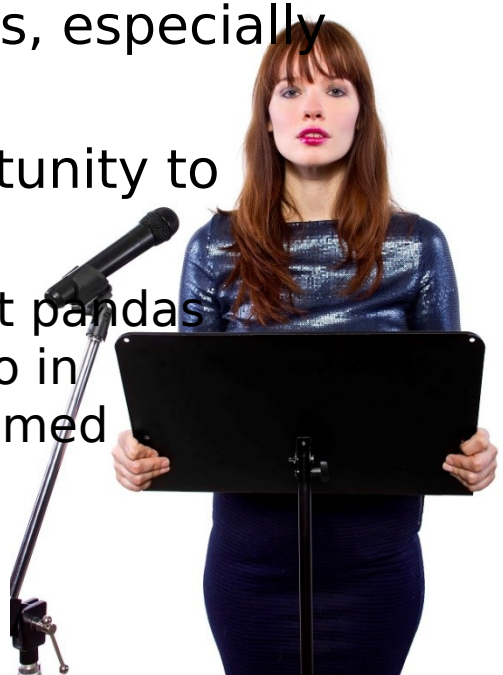
Public Relations

- PR/Publicity involves efforts to stimulate positive interest in an organization and its products through third parties
  - e.g., press conferences, news releases, sponsorships
- Corporate PR specialists teach senior managers how to present themselves well at public events, especially when faced with hostile questioning
- Unusual activities can present an opportunity to promote company's expertise
  - e.g., FedEx – safely transported two giant pandas from Chengdu, China, to the National Zoo in Washington, D.C. in a FedEx aircraft renamed FedEx PandaOne



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7.9

Know the role of the internet, mobile phones, apps, QR codes, and other electronic media in service marketing communications.

Messages Transmitted Online

Company's Website

- The web is used for a variety of communication tasks
  - Creating consumer awareness and interest
  - Providing information and consultation
  - Allowing two-way communication with customers through email and chat rooms
  - Encouraging product trial
  - Allowing customers to place o
  - Measuring effectiveness of advertising or promotional campaigns

- Innovative companies look for ways to improve the appeal and usefulness of their

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Messages Transmitted Online

Online Advertising

- Banner advertising
  - Placing advertising banners and buttons on portals such as Yahoo, Netscape and other firms' websites
  - Draw online traffic to the advertiser's own site
  - Web sites often include advertisements of other related, but non-competing services.
    - e.g., advertisements for financial service providers on Yahoo's stock quotes page

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Messages Transmitted Online

Online Advertising

- Search engine advertising
  - Reverse broadcast network: search engines let advertisers know exactly what consumer wants through their keyword search
  - Can target relevant messages directly to desired consumers
  - Several advertising options:
    - Pay for targeted placement of ads to relevant keyword searches
    - Sponsor a short text message with a click-through link
    - Buy top rankings in the display of search results

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Messages Transmitted Online

Moving from Impersonal to Personal Communications

- There used to be a difference between personal and impersonal communication
- Technology has created a gray area between the two
- Direct mail and email can be personalized
- Electronic recommendation agents can also personalize communications
- With advances of on-demand technologies, consumer are increasingly empowered to decide how and when they like to be re

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7.10

Know the communications mix elements available via service delivery channels.

Messages through Service Delivery Channels

- Service outlets
  - Can be through banners, posters, signage, brochures, video screens, audio etc.
- Frontline employees
  - Communication from frontline staff can be for the core service or supplementary elements
  - New customers in particular need help from service personnel
- Self-service delivery points
  - ATMs, vending machines and websites are examples

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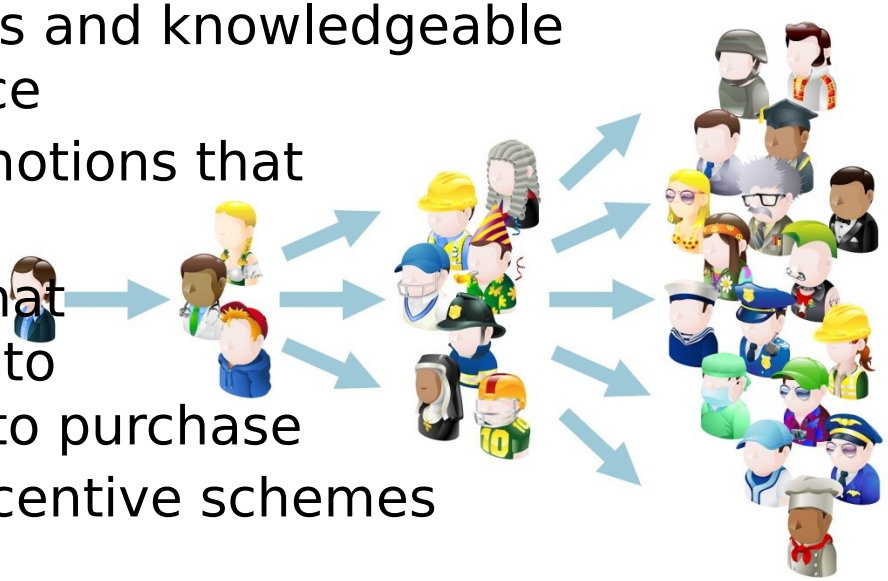
7.11

Know the communications mix elements that originate from outside the firm.

Communications mix elements that originate from outside the firm

Word of Mouth (WOM)

- Recommendations from other customers viewed as more credible
- Strategies to stimulate positive WOM:
  - Having satisfied customers providing comments
  - Using other purchasers and knowledgeable individuals as reference
  - Creating exciting promotions that get people talking
  - Offering promotions that encourage customers to persuade their friend to purchase
  - Developing referral incentive schemes



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Communications mix elements that originate from outside the firm

Blogs, Twitter, and Other Social Media

- Blogs:
  - Communications about customer experiences influence opinions of brands and products
  - Some firm have started to monitor blogs as form of market research and feedback
- Twitter:
  - Becoming increasingly popular; fastest-growing social networking service
- Media Coverage:
  - Compares, contrasts service offerings from competing organizations
  - Advice on “best buys”

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7.12

Understand when communications should take place (“When”), budgets for service communications programs, and how to evaluate them.

Understand when communications should take place

- Service firms are capacity-constrained and do not generally promote during heavy usage periods.
- Timing is closely matched to the perceptions and behaviors the firm wants to manage.
- The timing of communications is typically manage a-plan flowcha

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Budgets for service communications programs

Methods used to determine a communications budget

- Objective-and-task method:
  - Define the communications objectives along the Services Marketing Communications Funnel
  - Determining the tasks needed to achieve these objectives
  - Estimating the costs of the program
- Empirical-research method:
  - Run a series of tests or field experiments with different communications budgets to determine the optimum level of communications spent

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7.13

Appreciate ethical and consumer-privacy-related issues in service marketing communications.

Ethical Issues in Communication

- Advertising, selling, and sales promotion all lend themselves easily to misuse
- Communication messages often include promises about benefits and quality of service delivery. Customers are sometimes disappointed
- Why were their expectations not met?:
  - Poor internal communications between operations and marketing personnel concerning level of service performance
  - Over promise to get sales
  - Deceptive promotions
- Unwanted intrusion by aggressive marketers into people's personal lives

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7.14

Understand the role of corporate design in communications.

Corporate design in communications

Strategies for Corporate Design

- Many service firms employ a unified and distinctive visual appearance for all tangible elements:
  - e.g., Logos, uniforms, physical facilities
- Provide recognition and strengthen brand image:
  - e.g., BP's bright green-and yellow service stations
- Especially useful in competitive markets to stand out from the crowd and be instantly recognizable in different locations:
  - e.g. Shell's yellow scallop shell on a red background
  - McDonald's "Golden Arches"

"I'm not disputing that you have a lot of power around the office. I'm just saying you need to follow the dress code."

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Corporate design in communications

Strategies for Corporate Design

- How to stand out and be different?
  - Use colors in corporate design
  - Use names as central element in their corporate designs
  - Use trademarked symbol rather than name as primary logo
  - Create tangible recognizable symbols to connect with corporate brand names

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7.15

Know the importance of Integrated Marketing Communications to deliver a strong brand identity.

Integrated Marketing Communications

- Different departments look after different aspects of the firm's market communications
- Service failures could result from lack of effective coordination among these various departments
- IMC ties together and reinforces all communications to deliver a strong brand identity.
- Firms can give ownership of IMC to a single department or by appointing a marketing communications director

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Thank You.